

VZCZCXYZ0036  
PP RUEHWEB

DE RUEHAM #4653/01 1731640  
ZNR UUUUU ZZH  
P 221640Z JUN 06  
FM AMEMBASSY AMMAN  
TO RUEHC/SECSTATE WASHDC PRIORITY 1633  
INFO RUEHGV/USMISSION GENEVA PRIORITY 0533

UNCLAS AMMAN 004653

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STATE PASS TO USTR

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [KTEX](#) [PREL](#) [JO](#)

SUBJECT: JORDAN SEEKS U.S. SUPPORT IN DOHA ROUND FOR MORE  
COEFFICIENT POINTS AS A RECENTLY ACCEDING MEMBER, AND FOR  
GARMENT TARIFF HARMONIZATION PROPOSAL

11. (SBU) SUMMARY: In a letter to the Ambassador received June 18, Jordan's Minister of Industry and Trade sought U.S. government support on two positions the GoJ has staked out with other groups of developing nations in the WTO Doha Round of trade negotiations. The key issues for Jordan are proposed tariff reductions in the non-agricultural product market access (NAMA) discussions, and a Turkish initiative on harmonizing textile and garment tariff reductions. END SUMMARY.

12. (SBU) Jordan is seeking U.S. support for its two positions outlined in the letter reproduced below, noting its own support for U.S. positions in the WTO on IPR, Geographical Indications, Trade Policy Reviews, and in the work of the Regional Trade Agreements Committee.

BEGIN TEXT OF LETTER FROM THE MINISTER OF INDUSTRY AND TRADE:

Complimentary salutation

...the Doha Round negotiations in the World Trade Organization (WTO) is in a vital stage especially after the WTO 6th Ministerial Conference which took place last December in Hong Kong, China. In this regard, I would like to reassure you that Jordan is seriously committed to participate effectively in the current round of negotiations, in harmony with the economic and trade policies adopted by Jordan taking into consideration that the outcomes of such negotiations should have a positive impact on our economy as a developing country and a recently acceded member to the WTO. Jordan looks with much hope to the support of its trading partners especially those with whom we share common interests and long-standing relationships on the bilateral and multilateral levels like the United States of America which we consider as a partner for development. Jordan has been always supporting U.S. proposals in trade issues such as Intellectual Property and Geographical Indications Extensions, Trade Policy Reviews, and the work taking place in the Regional Trade Agreements Committee in the WTO building on our belief that such strong ties should be translated into real benefits for both of our countries.

The Doha Round is approaching a serious track particularly in the negotiations on the non-agricultural products where efforts are concentrating on determining the coefficients for the tariff reduction formula and the scope of goods on which the formula will be applied. Jordan has serious concerns in these negotiations mainly in the following areas:

-- As a recently acceding member (RAM) to the WTO, Jordan has provided extensive liberalization commitments upon its accession recognized by Doha Ministerial Declaration (Paragraph 9). To this effect RAM's are eligible for special

and differential treatment in the current round pursuant to the Hong Kong, China Declaration. Recent talks and informal consultations in the WTO have shown that members are willing to add only 5 points to the formula coefficient that will be agreed upon by members for developing countries, Jordan's expectations for the treatment to be granted to RAM's is far more than that. If such scenarios were applied Jordan's government budget will be extremely affected by the outcome of this round and accordingly economic development efforts in the country will be seriously affected due to the loss in customs revenues.

-- Garment sector in Jordan represents about one-third of the Jordanian exports and is considered the highest exportable product in Jordan in terms of growth rate generating a significant number of employment opportunities. Since January 2005 due to the expiration of the WTO Agreement on Textiles and Clothing the Jordanian garments industry has been, and will be affected negatively by the unfair competition with other countries if the same tariff formula coefficient will be applied on this sector, as this will result in reduction of customs duties applied by major export markets (the United States and the European Union) on the garment sector and accordingly preferences in export markets will be eroded by granting similar preferences to other countries with which Jordanian industry can not compete.

Jordan seeks the support of the United States of America in the above mentioned negotiating areas: granting RAM's a minimum of 15 points to be added to developing countries coefficient taking into consideration the country's share in world trade to be eligible for such treatment, and to support the garment and textile sector harmonization initiative which would be vital for supporting the Jordanian economy as a whole.

Complimentary close

END TEXT OF LETTER

13. (SBU) NOTE: The GoJ is referring to the Doha Round "Swiss Formula" for reducing tariffs across the board, which a GoJ trade official told Econoff was estimated to reduce customs revenues to the government by 40 percent if implemented according to the current formula. Last year, Jordan collected about 275 million Jordanian Dinars (\$388 million) in revenues from customs tariffs, or 10.7 percent of all government revenues. COMMENT: Due to the high price of subsidized oil, Jordan has a severe budget deficit problem and would likely find it difficult to make up the revenues lost from significantly reduced customs tariffs. In addition, the government does not have the technical expertise to accurately assess the macroeconomic impact of tariff reductions on Jordan's economy. END COMMENT.

14. (SBU) Jordan joins Turkey and four other nations at the WTO in promoting the textiles harmonization initiative, whereby certain garment line items are not reduced and others are, in an exercise to maintain an equivalent "average" reduction in such tariffs. Jordan seeks to maintain the tariff advantage for certain garment tariff items under the preferential treatment offered by the U.S.-Jordan Free Trade Agreement. COMMENT: In the difficult current Jordanian economic context, the GOJ's desire to maintain at least some portion of the 55,000 jobs in the garment sector that have been created due to the FTA preferential treatment is understandable, notwithstanding the USG goal to move to a tariff-free regime over time. END COMMENT.  
Rubinstein